



August 28, 2012

RSC Policy Brief: \$15 Trillion-Plus Later, Economists Project Poverty Rate to Return to Levels at Outset of the Great Society

“Continued dependence upon relief induces a spiritual and moral disintegration fundamentally destructive to the national fibre. To dole out relief in this way is to administer a narcotic, a subtle destroyer of the human spirit... We must preserve not only the bodies of the unemployed from destitution but also their self-respect, their self-reliance and courage and determination.”

-President Franklin D. Roosevelt, 1935 State of the Union Address

“The days of the dole in our country are numbered.”

-President Lyndon B. Johnson, 1964

“...the federal government declared war on poverty, and poverty won.”

-President Ronald Reagan, 1988 State of the Union Address

Poverty Returns to Highest Levels Since 1965?: This fall, new statistics on the U.S. poverty rate will be released. According to the [Associated Press](#), the consensus forecast of economists is that the U.S. poverty rate for 2011 will rise to 15.7%, the highest level since 1965. This means that the federal government will have made no progress on this measure of the War on Poverty since the effort was launched.

Even before the new numbers are released, the liberal Center on Budget and Policy Priorities (CBPP) [noted](#) last year that the number of Americans in poverty was already the highest in U.S. history—46.2 million Americans.

The Promise: In 1964, President Johnson launched the War on Poverty by signing into law the Economic Opportunity Act. At the bill signing he laid out a vision to alleviate poverty:

“Every dollar spent will result in savings to the country and especially to the local taxpayers in the cost of crime, welfare, of health and of police protection.”

“We are not content to accept the endless growth of relief rolls or welfare rolls.”

“Our American answer to poverty is not to make the poor more secure in their poverty but to reach down and to help them lift themselves out of the ruts of poverty and move with the large majority along the high road of hope and prosperity.”

“The days of the dole in our country are numbered.”

As the first quote by President Roosevelt expresses so starkly, as well as the statements above from President Johnson, the growth of means-tested welfare programs was intended to promote self-sufficiency rather than dependence. This objective has not just been unmet, but it has been forgotten—or deliberately abandoned—by the proponents of an ever-larger welfare state. Some specifics of the federal government’s failure to meet the objectives of the authors of the welfare state:

- **Dependence Growing:** According to Michael Tanner of the Cato Institute, at least [106 million](#) Americans currently receive benefits from at least one means-tested welfare program. The Food Stamp program currently has more than [46 million](#) beneficiaries (1 out of every 7 Americans). By contrast, the program had [1 in 50](#) beneficiaries in the early 1970s. Taxpayer money is even spent to encourage individuals, who might otherwise be reluctant, to sign up for means-tested welfare programs. [Here](#) is one such advertisement for the Food Stamp program.
- **The Welfare State Punishes Work:** Instead of being used to “help them lift themselves out of the ruts of poverty,” the welfare state punishes earned success. Implicit marginal tax rates for the working poor often exceed 100%. See [here](#) for an RSC Policy Brief on this issue. Also, see [here](#) for a recent analysis of this issue in National Review by Michael Franc.
- **More Than 70 Programs:** According to Robert Rector of the Heritage Foundation, there are [70-plus](#) federal welfare programs. The number of programs has been notable for some time. In 1988, when Reagan pointed out that the federal government lost the War on Poverty, [he cited](#) as one example of the failure of Great Society’s vision that: “the Federal Government has 59 major welfare programs and spends more than \$100 billion a year on them.”
- **\$927 Billion Annual Spending:** According to Robert Rector of the Heritage Foundation, American taxpayers (at all levels of government) now spend [\\$927 billion](#) a year on means-tested welfare programs intended to fight poverty.
- **\$16 Trillion Has Been Spent:** Since the War on Poverty began in 1964, Americans have spent [\\$16 trillion](#) on means-tested welfare. This, unfortunately, rebuts the 1964 predictions that: “Every dollar spent will result in savings to the country and especially to the local taxpayers in the cost of crime, welfare, of health and of police protection.”
- **Wasted Resources:** Michael Tanner of the Cato Institute calculates that (including state and local welfare spending) all government spending on welfare amounts to [\\$61,830](#) per poor family of three (compared to a poverty line number of \$18,530 for that same family). It is important to note that this is not what the average poor person

receives from government programs, but it is the amount of resources the government currently deploys at the problem.

The Rising Cost: After 48 years, the cost of means-tested welfare spending continues to grow. The Cato Institute's Michael Tanner notes the following in [The American Welfare State: How We spend Nearly \\$1 Trillion a Year Fighting Poverty—and Fail](#):

- Total welfare spending (all levels of government) has increased from 2.19% of GDP in 1965 to 6% of GDP in 2011.
- Total welfare spending (in constant dollars) has increased from \$256 billion in 1965 to \$908 billion in 2011.
- Per-poor-person federal welfare spending (in constant dollars) has increased from \$1,625 in 1965 to \$14,848 in 2011.

Conservative Welfare Reform Solutions:

- **Block Grant Medicaid and Other Welfare Programs.** The current Medicaid program punishes work by cutting off benefits if someone earns too much money. Block-granting the program would allow states to experiment with creating Medicaid programs without the anti-work disincentives. To that end, Representatives Rokita, Huelskamp, Broun, and Jordan introduced H.R. 4160, the [State Health Flexibility Act](#).
- **Cap Federal Means-Tested Welfare Spending.** The RSC's [Welfare Reform Act](#) of 2011 (H.R. 1167) would limit overall federal spending on means-tested welfare programs to the level of 2007 plus inflation growth. This is an overall cap, which means it does not require cuts to any specific program. Instead choices would be made through the budget process.
- **Enforce Work Requirements on the Food Stamp Program and Other Means-Tested Programs.** The RSC's [Welfare Reform Act](#) of 2011 would enforce work requirements for the Food Stamp program, modeled on the success of the 1996 welfare reform law.
- **End Income Phase-outs on Tax Credits/Deductions.** The RSC's [Jobs Through Growth Act](#) (H.R. 3400) creates a new, voluntary tax system that does not include any deductions or credits that phase-out as someone earns more money.
- **Repeal Obamacare.** The exchange subsidies in Obamacare significantly increase implicit marginal tax rates (see page 3 of [this](#) policy brief). House Republicans have twice passed legislation to repeal Obamacare ([H.R. 2](#) and [H.R. 6079](#)).

Conclusion: Since the War on Poverty began, nearly \$16 trillion has been spent. Annual spending is almost \$1 trillion a year. There are now 70-plus federal means-tested welfare

programs. At least 106 million Americans receive benefits from at least one such program. One consequence of having so many different programs is that the implicit marginal tax rate on the working poor often exceeds 100%. For all these costs, the poverty rate is where it was 45 years ago, all while the dependency of many Americans on the government has increased and the flourishing of civil society has decreased. The unsustainable growth of welfare spending has thus hurt us as a nation financially and morally.

Additional Resources:

- President [Franklin D. Roosevelt's 1935 State of the Union Address](#) where he calls dependence on means-tested welfare programs "...a narcotic, a subtle destroyer of the human spirit."
- President [Lyndon B. Johnson's 1964 speech](#) signing the Economic Opportunity Act, which defined the purposes of the War on Poverty.
- President [Ronald Reagan's 1988 State of the Union Address](#), a key portion of which explains the failures of the "War on Poverty" to date.
- Robert Rector of the Heritage Foundation's Testimony before the House Budget Committee: "[Examining the Means-Tested Welfare State: 79 Programs and \\$927 Billion in Annual Spending](#)," May 3, 2012.
- Cato Institute Policy Analysis, "[The American Welfare State: How We spend Nearly \\$1 Trillion a Year Fighting Poverty—and Fail](#)," Michael Tanner.
- RSC Policy Brief: [How the Welfare State Creates Implicit Marginal Tax Rates in Excess of 100% on Working Families](#).
- [The Road to Freedom](#), Arthur Brooks.

RSC Staff Contact: Brad Watson, brad.watson@mail.house.gov, 202-226-9719